

**PT 98-43**

**Tax Type: PROPERTY TAX**

**Issue: Charitable Ownership/Use**

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE  
OFFICE OF ADMINISTRATIVE HEARINGS  
SPRINGFIELD, ILLINOIS**

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<b>SSM HEALTH CARE II</b>	)		
<b>Applicant</b>	)		
	)	<b>Docket #</b>	<b>94-41-25</b>
<b>v.</b>	)		
	)	<b>Parcel Index #</b>	<b>07-30-256-026</b>
<b>THE DEPARTMENT OF REVENUE</b>	)		
<b>OF THE STATE OF ILLINOIS</b>	)		

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**RECOMMENDATION FOR DISPOSITION**

Appearances: Mr. David M. Harris and Ms. Sally A. Specht, of the law firm of Greensfelder, Hemker & Gale, P.C., appeared on behalf of SSM Health Care II.

Synopsis:

The hearing in this matter was held on January 14, 1997, at 1100 Eastport Plaza Drive, Collinsville, Illinois, to determine whether or not 27.5% of the building located on Jefferson County Parcel Index No. 07-30-256-026 and the land, (hereinafter referred to as the “Annex” of the Sister Joanne Memorial Building) should be exempt from real estate taxation for all or part of the 1994 assessment year.

Mr. Leo F. Childers, Jr., President of SSM Health Care II (hereinafter referred to as the “Applicant”) and Mr. Richard Huntington, Vice President of Finance of the applicant, were present and testified on behalf of the applicant.

The issues in this matter include, first, whether the applicant is a charitable organization; secondly, whether the applicant owned the parcel here in issue during all or part of the 1994

assessment year; and lastly, whether the applicant used 27.5% of the building on this parcel and the land for charitable purposes during the 1994 assessment year. Following the submission of all of the evidence and a review of the record, it is determined that the applicant is a charitable organization. It is also determined that the applicant owned this parcel during the entire 1994 assessment year. Finally, it is determined that the applicant used 27.5% of the building on this parcel and the land for charitable purposes during the 1994 assessment year. It is therefore recommended that Jefferson County Parcel Index No. 07-30-256-026 and the building thereon be exempt from real estate taxation for the 1994 assessment year.

Findings of Fact:

1. The jurisdiction and position of the Illinois Department of Revenue (hereinafter referred to as the “Department”) in this matter, namely that 27.5% of the building on this parcel and the land beneath did not qualify for exemption for the 1994 assessment year, was established by the admission in evidence of Department’s Exhibit Nos. 1 through 5A.

2. On February 27, 1995, the Jefferson County Board of Review transmitted to the Department an Application for Property Tax Exemption To Board of Review concerning the parcel here in issue for the 1994 assessment year. (Dept. Ex. No. 1)

3. On December 14, 1995, the Department advised the applicant that it was approving in part the exemption of Jefferson County Parcel Index No. 07-30-256-026. The exemption was for 72.5% of the building and land thereon. The Department also advised the applicant that it was denying the exemption of 27.5% of the building thereon and the land, for the 1994 assessment year. (Dept. Ex. No. 2)

4. By a letter dated January 3, 1995, one of the attorneys for the applicant requested a formal hearing in this matter. (Dept. Ex. No. 3)

5. The hearing in this matter, conducted on January 14, 1997, was held pursuant to that request.

6. The applicant was organized as a Missouri general not-for-profit corporation on September 11, 1984, under the name St. Francis Professional Services, Inc. On June 28, 1989, St. Francis Professional Services, Inc. changed its name to Good Samaritan Regional Health Center. On November 9, 1992, Good Samaritan Regional Health Center changed its name to SSM Health Care II. (Dept. Ex. Nos. 1H & 3B)

7. The applicant is a multi-hospital system sponsored by the Roman Catholic order of the Franciscan Sisters of Mary. (Tr. p. 12)

8. On July 1, 1988, St. Francis Professional Services, Inc. acquired Jefferson County Parcel Index No. 07-30-256-026 and the Sister Joanne Memorial Building and annex located thereon, by a warranty deed. (Dept. Ex. No. 1C)

9. The Sister Joanne Memorial Building had originally been a tuberculosis hospital and was later converted for other hospital purposes. (Tr. p. 40)

10. During the 1994 assessment year, the applicant operated a Roman Catholic, acute care Hospital in Mt. Vernon, Jefferson County, Illinois, known as Good Samaritan Regional Health Center (hereinafter referred to as "Good Samaritan"). (Tr. pp. 11, 12, & 24)

11. This parcel is on the hospital campus and is in close proximity to Good Samaritan. (Tr. p. 40, Appl. Ex. No. 18)

12. A brochure handed out to all patients admitted to Good Samaritan during 1994 states as follows:

**GOOD SAMARITAN REGIONAL HEALTH CENTER EXEMPLIFYING THE HEALING MINISTRY OF JESUS CHRIST IS COMMITTED TO PROVIDING FOR THE PHYSICAL, SOCIAL, PSYCHOLOGICAL AND SPIRITUAL NEEDS OF THE SICK AND INJURED. QUALITY CARE IS DELIVERED TO ALL PERSONS OF ALL AGES AND SOCIAL STRATA WITH SPECIAL EMPHASIS ON A COOPERATIVE RELATIONSHIP WITH THE POOR AND DISADVANTAGED IN THE PLANNING AND DELIVERY OF THEIR HEALTH CARE SERVICES. (TR. P. 20)**

13. The policy of the applicant is to provide care to everyone at Good Samaritan regardless of their ability to pay. (Tr. p. 21)

14. Good Samaritan's Policy and Procedure states as follows:

No patient shall be denied appropriate inpatient or outpatient medical care at Good Samaritan Regional Health Center on the basis of inability to pay. Good Samaritan Regional Health Center does not discriminate because of race, color, creed, religion, national origin, sex, age, communicable disease or disability. (Tr. p. 22)

15. The applicant, through Good Samaritan, also provides various community health services and wellness programs to the community at no charge. (Tr. pp. 25-30)

16. The direct amount of charity care provided by the applicant through Good Samaritan in 1994 was \$2,055,845. (Tr. p. 35, Appl. Ex. No. 13)

17. I take Administrative Notice of the fact that by exempting a portion of Jefferson County Parcel Index No. 07-30-256-026 and 72.5% of the building thereon, the Department has determined that the applicant is a charitable organization. (Dept. Ex. No. 2)

18. The portion which is in issue in this matter is the 27.5% of the building and the land. Said 27.5% of the building and the land consists of the breezeway and the annex portion of the Sister Joanne Memorial Building. The annex portion of the Sister Joanne Memorial Building consists of three levels. (Tr. p. 40)

19. The first level or ground floor of the Sister Joanne Memorial Building Annex contains a carpentry shop, a paint shop, a groundskeeping shop, and storage for construction materials and tractors and other groundskeeping equipment, all of which were used exclusively for the hospital during 1994. (Tr. pp. 41-47)

20. The second level of the Sister Joanne Memorial Building Annex was used during 1994 for the storage of out-dated computer equipment, accounting records, and used medical equipment, which was waiting to be shipped to other hospitals. (Tr. pp. 48-50)

21. The third level of the Sister Joanne Memorial Building Annex was used during 1994 for the storage of various hospital records and surplus hospital equipment. (Tr. pp. 50-55)

22. During 1994, the second and third levels of the annex were neither heated nor cooled since they were only used for the storage of hospital records and equipment. The first level of the annex during 1994 was not cooled, but was heated with a large space heater because the shop

and equipment areas were occupied by various maintenance people and groundskeepers on a daily basis.

Conclusions of Law:

Article IX, Section 6, of the Illinois Constitution of 1970, provides in part as follows:

The General Assembly by law may exempt from taxation only the property of the State, units of local government and school districts and property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes.

35 **ILCS** 200/15-65 provides in part as follows:

All property of the following is exempt when actually and exclusively used for charitable or beneficent purposes, and not leased or otherwise used with a view to profit:

- (a) institutions of public charity;
- (b) beneficent and charitable organizations incorporated in any state of the United States....

It is well settled in Illinois that when a statute purports to grant an exemption from taxation, the fundamental rule of construction is that a tax exemption provision is to be construed strictly against the one who asserts the claim of exemption. International College of Surgeons v. Brenza, 8 Ill.2d 141 (1956); Milward v. Paschen, 16 Ill.2d 302 (1959); and Cook County Collector v. National College of Education, 41 Ill.App.3d 633 (1st Dist. 1976). Whenever doubt arises, it is to be resolved against exemption, and in favor of taxation. People ex rel. Goodman v. University of Illinois Foundation, 388 Ill. 363 (1944) and People ex rel. Lloyd v. University of Illinois, 357 Ill. 369 (1934). Finally, in ascertaining whether or not a property is statutorily tax exempt, the burden of establishing the right to the exemption is on the one who claims the exemption. MacMurray College v. Wright, 38 Ill.2d 272 (1967); Girl Scouts of DuPage County Council, Inc. v. Department of Revenue, 189 Ill.App.3d 858 (2nd Dist. 1989) and Board of Certified Safety Professionals v. Johnson, 112 Ill.2d 542 (1986).

In the case of Methodist Old Peoples Home v. Korzen, 39 Ill.2d 149 (1968), the Illinois

Supreme Court laid down six guidelines to be used in determining whether or not an organization is charitable. Those six guidelines read as follows: (1) the benefits derived are for an indefinite number of persons; (2) the organization has no capital, capital stock, or shareholders, and does not profit from the enterprise; (3) funds are derived mainly from private and public charity, and are held in trust for the objects and purposes expressed in its charter; (4) charity is dispensed to all who need and apply for it; (5) no obstacles are placed in the way of those seeking the benefits; and (6) the primary use of the property is for charitable purposes. Based on the foregoing findings of fact, I conclude that because it is the applicant's policy to accept all who present themselves for treatment, the benefits are derived for an indefinite number of persons. Since the applicant is a Missouri not-for-profit corporation, I conclude that it has no capital, capital stock or shareholders, and does not profit from the enterprise. I also conclude that applicant's funds are derived from public and private charity and fees for service. In view of the applicant's charity care and fee waiver policy, I conclude that charity is dispensed to all who need and apply for it and that no obstacles are placed in the way of those seeking the benefits. In the case of MacMurray College v. Wright, 38 Ill.2d 272 (1967), the Supreme Court held that an exemption will be sustained if it is established that the property is primarily used for purposes which are reasonably necessary for the accomplishment and fulfillment of the exempt objectives, or efficient administration, of the particular institution. This test was reaffirmed by the Supreme Court in McKenzie v. Johnson, 98 Ill.2d 87 (1983). In the case of Evangelical Hospital Association v. Novak, 125 Ill.App.3d 439 (2<sup>nd</sup> Dist. 1984), the Court determined that the administrative office of a hospital system qualified for exemption pursuant to this "reasonably necessary" test. In this case I conclude that the annex of the Sister Joanne Memorial Building which was used to house hospital maintenance and grounds shops and storage and also records and equipment storage was reasonably necessary to the efficient operation of applicant and Good Samaritan.

I consequently conclude that the applicant is a charitable organization. I also conclude that the applicant owned this parcel during the entire 1994 assessment year. Finally, I conclude

that the applicant used 27.5% of the building on Jefferson County Parcel Index No. 07-30-256-026 and the ground beneath for purposes which were reasonably necessary for the efficient administration of the applicant and Good Samaritan.

I therefore recommend that Jefferson County Parcel Index No. 07-30-256-026 and the building thereon be exempt from real estate taxation for the 1994 assessment year.

Respectfully Submitted,

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George H. Nafziger  
Administrative Law Judge  
June 16, 1998